



## **Ontario's recovery on track but the pace will slow: RBC Economics**

**TORONTO, September 10, 2010** — After a burst of activity late last year and early this year, Ontario's economy will settle down and post an average growth rate of 3.5 per cent in 2010, just slightly stronger than the national average of 3.3 per cent, according to the latest Provincial Economic Outlook report released today by RBC Economics.

“The rapid cooling of Ontario's housing market since the spring will have a restraining impact on economic growth in the last half of 2010, as will the soft patch into which the U.S. economy recently entered,” said Craig Wright, chief economist, RBC. “Still, the provincial economy will remain solidly supported by continued capital expenditures, steady employment gains and rising consumer spending.”

The report notes that very strong growth in the fourth quarter of last year and first quarter of this year resulted in an impressive 70 per cent recovery of real GDP which was lost during the recession. This strong momentum was broadly based but received much of its thrust from a surge in the housing sector, where a spectacular rebound in housing resales ultimately benefitted retailers and homebuilders.

“Investment in machinery and non-residential construction also contributed meaningfully to growth. This is a reflection of both governments stepping up their expenditures on public infrastructure and businesses boosting their capital spending,” added Wright. “This burst of overall economic activity fostered job creation in the province and helped reduce the unemployment rate from its 16-year high reached late last year.”

Ontario's economic growth in the remaining months of 2010 will benefit from capital expenditures by all levels of government running full-tilt with the deadline for completion of work receiving funding from the federal Action Plan looming in March 2011. Sustained improvement in the labour market also bodes well for continued consumer spending at the shopping malls and car dealerships.

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RBC forecasts Ontario's economy to continue at a healthy pace in 2011 with real GDP growth set to ease to 3.2 per cent.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indexes.

The full report and provincial details are available online as of 8 a.m. EDT today [www.rbc.com/economics/market/pdf/provfcst.pdf](http://www.rbc.com/economics/market/pdf/provfcst.pdf).

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**For more information, please contact:**

Craig Wright, RBC Economics Research, (416) 974-7457

Paul Ferley, RBC Economics Research, (416) 974-7231

Elyse Lalonde, RBC Media Relations, (416) 974-8810